

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**JOINT STATUS REPORT OF MOVANT AMBAC ASSURANCE CORPORATION AND
RESPONDENTS THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR
PUERTO RICO, AS REPRESENTATIVE OF THE COMMONWEALTH OF PUERTO
RICO, AND THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY
AUTHORITY WITH RESPECT TO THE RULE 2004 MOTIONS**

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801).

To the Honorable United States Magistrate Judge Judith Gail Dein:

Movant Ambac Assurance Corporation (“Ambac”) and Respondents the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as representative of the Commonwealth of Puerto Rico (the “Commonwealth” or “Debtor”) pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF,” and together with the Oversight Board, the “Government Parties”),² respectfully submit this Updated Joint Status Report in response to the Court orders dated January 23, 2020 (Dkt. No. 10332), February 6, 2020 (Dkt. No. 10727), and April 13, 2020 (Dkt. No. 12713).

I. STATUS UPDATE REGARDING AMBAC’S RULE 2004 REQUESTS

A. Procedural Background

1. On October 28, 2019, Ambac filed *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets* (Dkt. No. 9022) (the “Assets Motion”), and *Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis* (Dkt. No. 9023) (the “Cash Motion,” and together with the Assets Motion, the “Rule 2004 Motions”).

2. On November 8, 2019, the Government Parties filed the *Urgent Motion of Financial Oversight and Management Board for Puerto Rico and Puerto Rico Fiscal Agency and Financial Advisory Authority to Strike (A) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Assets [ECF No. 9022] and (B) Ambac Assurance Corporation’s Motion for Entry of Order Authorizing*

² Ambac and the Government Parties are collectively referred to as the “Parties.”

Discovery Under Bankruptcy Rule 2004 Concerning Commonwealth Cash Restriction Analysis [ECF No. 9023] and for Sanctions (Dkt. No. 9131) (the “Motion to Strike”).

3. On January 23, 2020, Judge Swain issued a memorandum order denying the Motion to Strike (Dkt. No. 10332) (the “Memorandum Order”). The Memorandum Order directed the Parties to meet and confer by February 3, 2020 concerning the scope and mechanics of discovery responsive to the Rule 2004 Motions. *Id.* at 9.

4. The Parties have filed periodic status reports. Most recently, on April 10, 2020, the Parties filed the *Updated Joint Status Report of Movant Ambac Assurance Corporation and Respondents the Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, and the Puerto Rico Fiscal Agency and Financial Advisory Authority with Respect to the Rule 2004 Motions* (Dkt. No. 12711) (the “April 10 Joint Status Report”) detailing their April 9, 2020 telephonic conference, related communications, and agreed parameters for the resolution of disputed aspects of the Rule 2004 Motions. The Parties agreed in the April 10 Joint Status Report to have another meet-and-confer and to file an Updated Joint Status Report on May 20, 2020.

B. The Parties’ Progress Since the Previous Update to the Court

5. On April 21, 2020, Ambac sent the Government Parties a letter via email (attached as Exhibit A) (the “April 21 Letter”) memorializing the April 9, 2020 telephonic meet-and-confer. In the April 21 Letter, Ambac also requested updates on the status of the Government Parties’ ongoing production of documents relating to Prioritized Assets Requests Nos. 1, 2, 3, and 4, and Prioritized Cash Requests Nos. 1 and 2; sought clarification of the Government Parties’ position regarding Prioritized Cash Request No. 3; and noted that Ambac will provide an update regarding its position on whether certain documents produced thus far satisfy Prioritized Cash Request No.

4. Finally, Ambac requested an update on the Government Parties' position on the proposed Rule 30(b)(6) deposition topics provided to the Government Parties on April 8, 2020.

6. On April 22, 2020, AAFAF produced twenty-three documents, twenty-one of which related to Prioritized Assets Request No. 2, and two of which related to Prioritized Assets Request No. 3.

7. On May 11, 2020, the parties met and conferred by telephone (the "May 11 Meet and Confer"). AAFAF advised that it had received information related to the Commonwealth's official inventory of real property assets (Prioritized Assets Request No. 1); that AAFAF was investigating the responsiveness of that information; and that AAFAF was otherwise continuing to look for materials responsive to this request. AAFAF indicated it produced all of the information it received from HTA relating to the 23 properties that are the subject of Prioritized Assets Request No. 2, and indicated its willingness to meet and confer regarding any follow up questions Ambac may have. AAFAF advised that it continues to search for documents related to transactions previously approved by the Real Property Valuation and Disposal Committee (Prioritized Assets Request 3) in addition to those documents produced on April 22, and for documents related to foreclosures by the Commonwealth's Municipal Revenue Collection Center (Prioritized Asset Request No. 4).

8. Additionally, on the May 11 Meet and Confer, the Oversight Board advised that it had produced some factual source materials and raw data for the unrestricted and restricted accounts held by the Title III debtors that fell within the scope of the Oversight Board's cash analysis, and that it was reviewing for production additional materials (Prioritized Cash Request

Nos. 1 and 2). The Oversight Board anticipates beginning to make productions of the materials underlying the October 2, 2019 Presentations³ by the end of the month.

9. In addition, the parties continue to meet and confer in good faith regarding Prioritized Cash Request No. 3.

10. On May 11, 2020, the Oversight Board sent Ambac a letter via email (attached as Exhibit B) (the “May 11 Letter”) in response to the April 21 Letter and addressing the May 11 Meet and Confer.

11. On May 11, 2020, the Oversight Board made a production of 2,131 documents in response to one or more of the Prioritized Cash Requests. Ambac’s review of these documents is ongoing.

12. On May 15, 2020, AAFAF made a production of 71 documents in response to one or more of the Prioritized Assets Requests. Ambac’s review of these documents is ongoing.

13. On May 19, 2020, AAFAF sent Ambac a letter via email (attached as Exhibit C) (the “May 19 Letter”) in response to a number of earlier letters, including the April 21 Letter. In the May 19 Letter, AAFAF provided updates on its search for documents responsive to the Prioritized Asset Requests.

14. On May 20, 2020, AAFAF produced the public regulation that underlies HTA’s real estate sales and relates to Prioritized Assets Request No. 2.

15. The Parties have agreed to have another meet-and-confer no later than June 10, 2020, to further discuss the outstanding issues in the hopes of narrowing or resolving areas of dispute.

³ “October 2, 2019 Presentations” refers to the “Summary of Cash Restriction Analysis” presentation, dated October 2, 2019 (the “Cash Restriction Analysis”), and the “Bank Account Analysis: Status Update – June 30, 2019 Balances” presentation, dated as of October 2, 2019.

16. The Parties would propose to submit an updated status report to the Court on July 17, 2020.

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Dated: May 20, 2020
San Juan, Puerto Rico

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CERTIFICATE OF SERVICE

I hereby certify that on this same date a true and exact copy of this notice was filed with the Clerk of Court using the CM/ECF system, which will notify a copy to counsel of record.

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